CHAPTER 4
POLICY PROVISIONS

Life insurance policies are two-party contracts between the policyowner and the insurer. The contract states the owner's rights, responsibilities, and limitations. The life contract is not standardized as are policies in the property and casualty field. In an effort to promote uniformity, most states have adopted to some degree the standard wording of the NAIC model regulations. Due to this, the wording is quite similar in policies issued by different companies. The life policy may be customized by adding riders to meet specific needs of the policyowner.

RIGHTS OF OWNERSHIP

It should be noted that the policyowner and the insured are not always the same person. It is the owner who exercises all the rights under the insurance contract. At the time of application for the insurance coverage, the policyowner will be required to have an insurable (financial) interest in the life of the insured person. In other words, if the insured were to die, the policyowner would be affected in a negative financial manner. An example of this would be a wife being deprived of a deceased husband's income or a business partner being forced to sell a business due to his/her partner's death.

Once a policy is issued, the change of ownership provision allows the policy ownership to be transferred to another person who is not required to have an insurable interest in the life of the insured. Of course, such a change must be requested in writing and filed with the insurance company. Important rights of policy ownership include:

- The right to change the beneficiary (the person receiving the proceeds from the policy).
- The right to decide how the death benefit will be paid to the beneficiary.
- The right to borrow against the policy if it is a permanent policy containing cash values.
- The right to surrender the policy thus canceling the policy and to receive any cash values accumulated in the policy.
- The right to select a non-forfeiture option if a policy containing cash values lapses.
- The right to choose a dividend option if it is a participating policy.
- The right to transfer ownership of the policy

Third party ownership exists when the insurance policy is owned by someone other than the insured person. Examples include a parent owning a policy on a minor child or a company owning a policy on a key employee.

THE TITLE PAGE

The title page also may be referred to as the policy face or data page. This page includes the policy number, type of policy, name of the insured, name of the owner of the policy if different from the insured, policy issue date, amount of premium and premium due date, and the amount of insurance coverage. The title page will include optional policy provisions and riders and the premium for these additions. The signatures of the secretary and president of the insurance company appear on this page.

Also included on the title page will be clauses required by law such as the free look provision and a warning to the insured to read the contract carefully.

INSURING CLAUSE

The insuring clause normally is on the policy face. It is essentially the company's promise to pay the death benefit to the beneficiary upon the death of the insured. In exchange, the insured agrees to pay premiums and comply with the terms of the contract. The company will not pay the death benefit until proper proof of death is received (i.e. death certificate). The extent of the liability of the insurer is to pay the amount stated in the contract. Life policies are referred to as **valued policies** as the amount or value of the contract is predetermined and stated.

The **consideration clause** is part of the insuring clause and it states that the insurance company promises to pay the policy benefits in consideration of receiving the policy payments. The consideration in life insurance is the premium.

CONDITIONS

This section states the rights and duties of both the insurer and the insured. All the policy provisions are stated in this section. They include such things as grace period, reinstatement provision, incontestable clause, misstatement of age, etc.

EXCLUSIONS

This section states under what conditions an insurer will not be obligated to pay a death benefit, as certain circumstances are not considered insurable. Exclusions either may be stated in the policy or attached as riders. The following are some of these exclusions that may appear in a policy.

- The war exclusion states that a death benefit will not be paid under wartime or military service conditions. The insurer will return the premiums paid or the cash values, whichever is greater.

- The aviation exclusion states that a death benefit will not be paid if the insured dies while flying a private plane or acting as a crewmember. This provision does not apply to fare-paying passengers on commercial flights.
- Hazardous occupations or avocations (hobbies) may be excluded from coverage as there is a decided increase risk of mortality and disability. Avocations that may be excluded are scuba diving, sky diving, hand gliding, mountain climbing, and auto racing. Companies frequently cover these hazardous hobbies and occupations by charging the insured a higher premium.
- Some companies may exclude death while committing a felony.
- Suicide is excluded from coverage during the first two years that a policy is in effect. The company will return the premiums paid.

FREE LOOK PROVISION

This provision, which is also known as the right of rescission, gives the policyowner the right to return the policy for any reason during a specified number of days and receive a full refund of premium. When the entire premium is returned, this is called a flat cancellation and the policy is void from the beginning. There is an exception to the full refund on premium. This involves variable products in which case the refund will be an amount equal to the contract account value as of the date the return receipt is received by the insurer or its representative.

In California the free look period is **10 days** (20 days if replacement is involved). Starting in 1995 the free look for senior citizens **age 60 and older** was changed to **30 days**. The free look starts when the policyowner receives the policy, not when the application was signed or the policy issued. An acknowledgment of delivery should be obtained when the policy is delivered in order to determine when the free look period began.

Acceptable methods of delivery include:

- Personal delivery, with a signed receipt of delivery.
- First class mail, with a signed receipt of delivery.
- Registered or certified mail.
- Other reasonable means as determined by the Commissioner.

If the delivery is not accomplished in one of these manners, it is the responsibility of the insurer to prove when delivery was made. It will be assumed that the policy was delivered to the policyowner six months after the date of issuance if the policyowner has paid premiums prior to that date.

MODE OF PAYMENT

This provision will specify how, when, and where premium payments are to be made. Premiums are paid in advance. When insurers calculate the payments, they do so with the assumption that the premiums will be paid annually. However, the policyowner has the right to decide on the frequency of premium payments and may choose annual, semi-annual, quarterly, or monthly payments. When payments are made monthly, it is normally done by automatic debit from a checking account.

The least expensive manner in which to pay is annually. In other manners of payment, the insurer will receive less money. As insurers invest premium dollars, they now have less money on which to earn interest and the administrative costs are increased due to additional billing costs.

EARNED AND UNEARNED PREMIUM

When a policy is terminated, unearned premium is to be returned. Consider the following: An individual paid a quarterly premium payment of $1,200 and died after one month. The insurance company provided one month's protection so earned $400. However, the insurance company did not provide protection for the remainder of the period so $800 is considered unearned premium. Many life insurance companies will return the unearned premium as part of the death benefit paid to the beneficiary.

There are two types of cancellation—pro rata and short rate. If a company cancels a policy, the company will return all of the unearned premium which is called a pro rata cancellation. If the insured cancels a policy, the unearned premium is refunded on a short rate basis. This means the insured does not receive all of the unearned premium as the insurance company retains an amount to cover its expenses as well as earned premium.

ENTIRE CONTRACT PROVISION

The entire contract is considered to be the policy, attached application, and any attached riders. No other information than this is allowed in a test of the validity of the contract. All statements made on the application by the applicant are considered to be representations. A representation is a statement made to the best knowledge and belief of the party giving the information; such statements are not warranties.

This provision states that an agent has no authority to change a contract. The only way in which a contract may be changed or amended is by an authorized officer of the company. Any such change must be executed in writing, signed by a company officer as well as the policyowner, and attached to or endorsed onto the policy.

GRACE PERIOD

Life contracts allow for a period of time after the premium is due in which to pay the premium. This period of time is 30 or 31 days from the due date. The reason for allowing this additional period is to keep policyowners from unintentionally allowing a policy to lapse due to a late payment.

The policy is in force during the grace period. Consequently, if an insured dies when a policy is in the grace period, the death benefit will be paid to the beneficiary minus any premium due to cover the grace period extension.

REINSTATEMENT

If the policyowner has not paid the premium by the end of the grace period, the policy will lapse. If the owner wishes to reinstate the policy, he/she will need to apply for reinstatement within three years of the policy lapsing. The reinstatement provision will state exactly what is required of the owner to reinstate a policy. The policyowner will need to (1) submit a reinstatement application, (2) provide proof of insurability, (3) pay all past due premiums, (4) pay interest on the past due premiums, and (5) pay any outstanding loans on the policy. By doing all this, the policyowner has brought the policy back to where it would have been had he/she been paying the premiums all along.

Normally, all statements on the reinstatement application will be subject to a new incontestable period unless the policy is at least three years old. However, acquisition costs do not have to be paid when reinstating a policy.

Other reasons to consider reinstatement are the older policy may have lower interest rates on policy loans, it may have more liberal provisions, and the suicide clause will probably not apply. Probably the most compelling reason to reinstate a policy is the fact that the old premium rates will be in effect which are based on the **original age** when the policy was issued. In other words, the insured would not be able to purchase an equivalent policy for as low a premium due to the fact that he/she is older.

POLICY LOAN PROVISION

State insurance laws require that any life contract containing guaranteed cash values must contain a provision regarding the policyowner's right to take a loan against the cash values. Policy loans really are more of an advance on the policy proceeds than a true loan. Permanent policies should start building cash values by the third year that they are in force. The cash values are the collateral for this advance. Insurers may defer a loan request for up to six months from the date of the loan request unless the policyowner needs the loan to make a premium payment.

Policyowners never are required to repay a policy loan. However, upon the death of the insured, the amount of the loan plus outstanding interest on the loan will be deducted from the death benefit before payment to the beneficiary. If the policyowner does not pay the interest due on the loan, it is added to the outstanding loan balance. If the loan plus interest exceeds the cash value, the policy will be void. Before a policy is voided, the insurer must mail a 30-day notice to the last known address of the policyowner. If the policy is surrendered, any amount outstanding on a loan will be deducted before the cash surrender value is paid.

Interest rates on policy loans vary and California has set rules for maximum rates allowable. Many newer policies have variable interest rates tied to current market rates. Many older polices have a specified interest rate ranging from 5% to 8%.

Clients frequently may ask why interest is charged on policy loans. The insurer makes the assumption that the cash values will be retained in the policy and that sum will be invested to make money. If cash values are removed through a loan, the premium being charged for the policy is no longer adequate to sustain the insurance policy.

AUTOMATIC PREMIUM LOAN PROVISION

The automatic premium loan provision now is included in most policies containing cash values. If it is not a standard provision, it may be added by rider to a permanent policy at no additional charge.

If the policyowner has not paid the premium by the end of the grace period, this provision allows the insurer to withdraw the necessary amount to cover the premium from the cash values of the policy as long as there is sufficient cash value to cover the premium. Effectively, this is a loan against the cash values. As a loan, the policyowner will be required to pay interest on this amount. This provision protects the policyowner from lapsing the policy either intentionally or unintentionally.

INCONTESTABILITY CLAUSE

This clause states that the validity of a life policy cannot be contested by the insurer after it has been in force during the lifetime of the insured for a certain period of time. The insurer cannot use as a defense against paying a claim any error, concealment, misstatement, or fraud on the part of the policyowner after the policy has been in effect for two years. This provision applies to the face amount of the policy as well as any riders attached to the policy for additional benefits payable in the case of normal death. Other contracts may be voided at any time if fraud is involved. In life insurance the insurer can void only for non-payment after two years.

It makes no difference if the applicant deliberately lied on the application after the two-year incontestable period. However, there are a few circumstances that could make a policy invalid and the company could contest paying a claim. These include impersonation, having no insurable interest at time of application, and intent to murder. Impersonation exists when someone other than the applicant signs the application or someone other than the insured party takes the physical exam. The policyowner must have an insurable (financial) interest in the insured at time of application. If not, the policy is invalid from inception. If it can be proven that the applicant intended to murder the insured for the policy proceeds, the insurer can contest paying the claim.

SUICIDE PROVISION

This provision states that if an insured dies by suicide during a two-year period after the effective date of the policy, a death benefit will not be paid. The insurer will return the premiums paid making this a flat cancellation. This clause is to protect the insurer as some people might take out a large policy to protect the family with the intent of committing suicide. If suicide is suspected, the insurer will have to prove this fact beyond a reasonable doubt in order to avoid paying the policy proceeds.

If an insured dies by suicide after two years, the insurer will pay the full death benefit to the beneficiary. Actuaries know that some people will commit suicide and this is factored into the mortality table.

MISSTATEMENT OF AGE OR SEX PROVISION

This provision is of importance as premiums for life insurance are based on both age and sex. Premiums are higher for older applicants and, as women live longer than men, premiums are lower for women. Insurers may make a correction as to age or sex at any time; the two-year incontestable clause does not apply to this provision.

Adjustments can be made to the premium or to the amount of insurance. If the error is discovered after the death of the insured, the death benefit will be adjusted. If the insured were older than stated on the application, the proceeds would be decreased to whatever the premium paid would have purchased at the correct age. Conversely, if the insured were younger than stated on the application, the death benefit should be adjusted upward.

If the error is discovered during the lifetime of the insured, the premium will be adjusted. If the insured is younger, the premium will be decreased and any overpayment of premium will be refunded. If the insured is older, the premium will increase and the difference in premium will have to be paid. Otherwise, the insurer will reduce the face amount of insurance to what it should be based on the amount of premium being paid.

The same sort of adjustments will be made if there is a misstatement of sex based on the greater longevity of women and, therefore, the lower premiums required of women for life insurance.

ASSIGNMENT PROVISION

The policyowner may do whatever he/she wishes with a life insurance policy including giving the ownership to another party. Transferring of ownership is referred to as assignment. To assign a policy the policyowner must notify the insurer in writing and on a form acceptable to the insurance company. The policyowner does not need the insurer's permission to assign the life contract. The insurer will simply accept the assignment; the insurer does not question the validity of the assignment. However, if an irrevocable beneficiary is named on the policy, the policyowner needs the beneficiary's agreement to the assignment. The person to whom the policy is assigned is called the assignee. The assignee does not have to have an insurable interest in the life of the insured.

There are two types of assignment—**absolute and collateral**. An absolute assignment transfers all incidents of ownership to the assignee. The assignee now is the owner of the policy. Obviously, a policyowner can transfer only the rights he/she had under the contract. For instance, the assignment is subject to debts owed to the insurer.

A collateral assignment also is called a temporary assignment. This type of assignment is used when the policy is assigned to a creditor as security for a debt. The creditor receives only the rights necessary to provide security for the loan; the policyowner retains some rights under the contract. However, the policyowner could not cash surrender the policy as this jeopardizes the security of the creditor. If the insured were to die before the debt is repaid, the creditor would be paid the amount owed out of the proceeds from the policy with the remainder of the proceeds being paid to the beneficiary. When a debt is repaid, the assignment is terminated and the policyowner is entitled to the return of the rights assigned.

An absolute assignment is a complete and irrevocable transfer of ownership rights. A collateral assignment is a partial and temporary transfer of ownership rights in the policy.

MODIFICATIONS

If there is to be a change in an insurance contract, such change must be endorsed on or attached to the policy in writing over the signature of an authorized officer or officers of the company. No one, including an agent, has any right to make changes, waive any provisions, or extend the premium payment period.

THE BENEFICIARY PROVISION

The beneficiary is the person or interest to whom the insurer will pay the death proceeds upon the death of the insured. The policyowner has the right to name the beneficiary. Beneficiaries are not required to have an insurable interest in the life of the insured. Some of the more common forms of beneficiary designations include:

- Individuals. One or more individuals may be named as beneficiaries and they may receive the proceeds in equal or unequal amounts. It should be noted that if a minor were named as the beneficiary he/she would not be competent to receive the proceeds. Some provision would need to be made such as having proceeds paid to an adult guardian or a trust.
- Businesses. Business partners may wish to insure one another. A company may wish to insure a key employee. Creditors have an insurable interest in the lives of debtors.
- Trusts. A trust is a legal entity that provides for ownership of property by one person for the benefit of another. The proceeds of the policy are paid to the trust which is managed by a trustee who handles the funds for the benefit of the beneficiaries of the trust. An **inter vivos trust** is one that takes effect during the lifetime of the grantor and can be in the form of gifts, trusts, and policy ownership under rights of survivorship. A **testamentary transfer or trust** provides for the transfer of property after the grantor's death through the use of a will. If a person dies without a will, it is referred to as dying intestate and then property is distributed according to state law.
- Estates. A policyowner could leave the proceeds from the policy to his/her own estate. The normal reason for this would be to provide money to pay estate taxes, debts, and probate costs in order to leave other assets intact for the heirs. There are disadvantages to doing this as this means the proceeds from the policy will go through probate which could delay distribution of the proceeds as well as increase probate costs. It also makes the proceeds subject to the claims of creditors.
- Charities, institutions, and non-profit organizations. A policyowner may wish to leave money to a charity, a university, or a church. Instead of leaving money through the use of a will, he/she could do so by use of life insurance.

SUCCESSION OF BENEFICIARIES

As the policyowner cannot be sure if a beneficiary will outlive the insured, it is always prudent to name more than one beneficiary. The **primary beneficiary** is the first in line to receive the proceeds. More than one primary beneficiary may be named. A second in line to receive the proceeds is a **contingent beneficiary**. The contingent beneficiary only would receive the

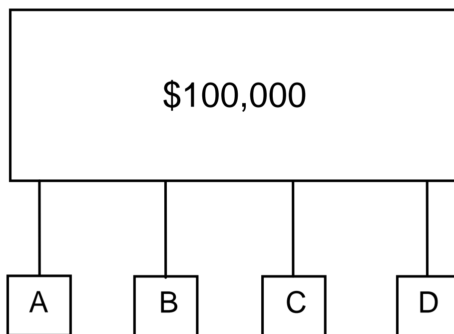
proceeds if there were no living primary beneficiary or if there were unpaid amounts on a settlement option upon the death of the primary beneficiary. A **tertiary beneficiary** (third in line) may be named in case the primary and secondary are unable to receive the proceeds. If there is no living beneficiary when the insured dies the death benefit is paid to the insured's estate

CLASS DESIGNATIONS

Policyowners do not have to name beneficiaries by name. Instead they can name them by class such as "all my children" or "all my living siblings". The policyowner simply must make his/her wishes clear to the insurer. With a designation such as "all my children", if a policyowner had another child, this additional child automatically would be included as a beneficiary. If the policyowner had stated the names of his first three children as beneficiaries and a fourth child born at a later date inadvertently was not added on as a beneficiary, this fourth child would not share in the policy proceeds. Of course a designation of "all my children" could cause confusion. Exactly to which children is he/she referring? There may be natural children by different marriages, adopted children, and stepchildren. A clarification could be "all my children by my marriage to Jane (John) Doe".

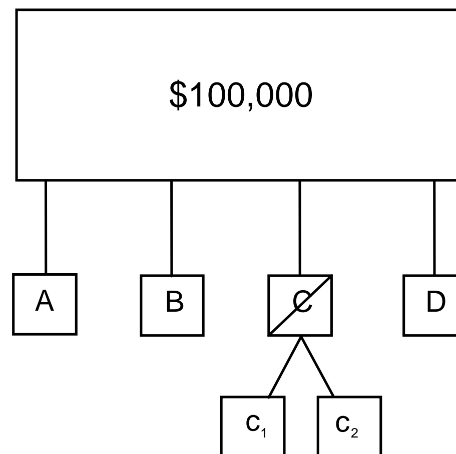
Per-capita and per-stirpes designations also are used to benefit children. If a **per capita** (by head) designation is used, this means that each surviving child will receive an equal share of the proceeds. **Per-stirpes** is Latin meaning "through the root". In this case, if a child predeceases the insured parent, that deceased child's share would pass to his children. In other words children, grandchildren, or great grandchildren move up in succession to take the place of the deceased beneficiary.

PER CAPITA



Each receives $25,000.
If A dies, three remaining beneficiaries receive $33,333

PER STIRPES



A, B, & D each receive $25,000. C's two children receive his share - $12,500 each.

REVOCABLE AND IRREVOCABLE BENEFICIARIES

Beneficiaries are considered revocable unless otherwise stated. **Revocable** simply means the policyowner can change the beneficiary at any time. A revocable beneficiary has no rights under the contract as he/she can be removed as beneficiary. If an **irrevocable** beneficiary is named, this person cannot be removed as beneficiary unless this person gives his/her written consent. An irrevocable beneficiary knows that he/she will receive the death proceeds upon the death of the insured. Therefore, it is said that an irrevocable beneficiary has a “vested interest” in the contract. A policyowner would need the permission of the irrevocable beneficiary in order to borrow against the policy or to assign the policy. In other words, the policyowner cannot do anything that could affect the amount an irrevocable beneficiary would receive without the irrevocable beneficiary’s permission. If the irrevocable beneficiary dies before the insured, the right to select a new beneficiary may revert to the policyowner.

A situation where an irrevocable beneficiary might be named is in a divorce case where a husband is required to continue payments on a life policy on his life with his ex-wife as primary beneficiary and his children as contingent beneficiaries. This protects the ex-wife and children should this individual die and no longer be making alimony and child support payments.

THIRD PARTY CREDITORS

When an insured dies, the contractual arrangement between the insured and the insurer is terminated. The arrangement now is between the insurer and the beneficiary. The insurer has to pay the beneficiary the proceeds upon proper notification of the insured’s death. If not paid, the beneficiary can sue the insurer for payment. Once the proceeds are paid to the beneficiary, the deceased insured’s creditors cannot attach the amount. However, the proceeds are not protected from the beneficiary's creditors.

METHODS OF CHANGING BENEFICIARIES

The two methods of changing beneficiaries are the filing method and the endorsement method. In the filing method, also called the recording method, the policyowner requests in writing that a change of beneficiary be effected. The insurer records the change in its records, and the change is considered effective as of the date the policyowner signed the request.

With the endorsement method, the policyowner makes a written request for a change and mails the request and the policy of the insurer. The change will be typed or affixed to the policy by the insurer.

UNIFORM SIMULTANEOUS DEATH ACT

There are situations in which an insured and a primary beneficiary die simultaneously with no evidence as to whom died first. According to the **Uniform Simultaneous Death Act**, when there is no evidence as to which party died first, it will be settled as if the primary beneficiary died before the insured. In this way, the proceeds of the policy will be paid to the contingent beneficiary. If there are no other beneficiaries, the proceeds will be paid into the estate of the insured rather than into the estate of the deceased primary beneficiary. However, if there were clear evidence as to the fact that the primary beneficiary outlived the insured, the proceeds would be paid to the beneficiary's estate.

Many policies also will contain a **common disaster provision** (short-term survivorship provision) to avoid the problem of the primary beneficiary outliving the insured by a short amount of time and receiving the death proceeds from the policy. Such a provision will stipulate how many days the primary beneficiary must outlive the insured in order to be eligible to receive the proceeds. This period of time is normally 30 days, but it could be 60 or 90 days.

SPENDTHRIFT CLAUSE

A spendthrift is a person who cannot manage money. The policyowner will pick a manner in which the beneficiary will receive the proceeds. The proceeds will be held in trust by the insurer and paid to the beneficiary in installments over a period of time. This clause states that the policy proceeds cannot be assigned, transferred, or encumbered in any way. This keeps the beneficiary from spending money recklessly or assigning future proceeds for present debts. Creditors cannot attach the money held by the insurance company.

FACILITY-OF-PAYMENT PROVISION

The facility-of-payment provision normally is found in industrial life insurance policies and in group life insurance policies. This provision allows the insurance company, upon the death of the insured under certain circumstances, to choose the beneficiary who, although not named in the policy, has a valid right to the proceeds. These situations include a minor as beneficiary, a deceased beneficiary, no claim for payment submitted within a specified amount of time, or costs were incurred by another party for the deceased's medical and burial expenses. For example, the insurer may pay the money to a funeral home if there is no living beneficiary.

REVIEW QUESTIONS

1. Mary Roland is named as an irrevocable beneficiary on her aunt's life policy. Which of these is true?

    A. Her aunt could take out a loan against the policy.
    B. Her aunt could change Mary to a revocable beneficiary without her permission.
    C. Mary could borrow against the policy without her aunt's permission.
    D. Mary could take out a loan on the policy only with her aunt's permission.

2. Alvin named only a primary beneficiary on his life policy. This beneficiary died and Alvin forgot to add a new beneficiary. When Alvin dies, what happens to the proceeds from his policy?

    A. The proceeds are paid to the beneficiary's estate.
    B. The proceeds are paid to Alvin's estate.
    C. The proceeds are paid to the state of California.
    D. The proceeds are paid to a close relative of Alvin.

3. When proceeds of a life insurance policy are paid into the estate of the insured, which of the following is correct?

    A. It is not required to go through probate.
    B. It is not subject to the claims of creditors.
    C. This could be avoided by the use of a will.
    D. It is subject to administrative delays and expenses.

4. The insured and the primary beneficiary are killed as the result of the same accident. What clause will assure that the contingent beneficiary receive the proceeds?

    A. Incontestable clause
    B. Entire contract clause
    C. Uniform simultaneous death act
    D. Facility of payment clause

5. What is the main purpose of the short-term survivorship clause?

    A. To preserve the insurer's financial interest in the policy.
    B. To preserve the insured's financial interest in the policy.
    C. To preserve the amount the primary beneficiary would collect from the policy.
    D. To preserve the amount the contingent beneficiary would collect from the policy.

6. In insurance, which party has the right to name a beneficiary, use the cash values, and pay the premium?

    A. The insured
    B. The policyowner
    C. The beneficiary
    D. The insurer

7. What part of an insurance contract states under what conditions a policy will not pay a death claim?

    A. Conditions
    B. Insuring clause
    C. Exclusions
    D. Declarations

8. In insurance, what is the entire contract?

    A. The application and credit references
    B. The application only
    C. The policy and the attached application
    D. The application and the medical exam

9. A provision of the policy that describes how and when a benefit will be paid is the?

    A. Insuring clause
    B. Consideration clause
    C. Execution clause
    D. Declaration clause

10. The policy conditions represent the obligations of:

    A. The insured only.
    B. The insurer only.
    C. The policyowner only.
    D. Both the insured and insurer

11. Which is correct regarding the free-look provision?

    A. The applicant is automatically covered for a specific time period whether or not the company issues the policy.
    B. If the policy is returned to the company within the free-look period, there is no refund.
    C. If the policy is issued and if returned within the specified time allotted, the insured will receive a 100% refund.
    D. Policies can be returned for a refund during the free-look period only for specific reasons stated in the contract.

12. What is the effect of the incontestable clause on a life insurance policy?

    A. It prevents the beneficiary from collecting the proceeds of a policy on grounds of misrepresentation, concealment, or fraud if the insured dies after the period stated in the policy.
    B. It protects the insurer from liability arising from the misrepresentation, concealment, or fraud of its agent.
    C. It protects the insurer from having to pay a death benefit if the insured commits suicide during the first two years after the policy is issued.
    D. It prevents the insurer from voiding the contract on grounds of misrepresentation, concealment, or fraud on the part of the insured if he dies after the period stated in the policy.

13. If the insurer finds that the insured's age was misstated on the application after the insured dies, what will the insurer do?

    A. The insurer will refuse to pay the death claim.
    B. The insurer will demand that the beneficiary pay the missed premiums before paying the death claim.
    C. The insurer will pay the beneficiary the face amount equal to that which the premium would have purchased at the correct age.
    D. The insurer can void the contract.

14. When would a policy no longer be in force and not provide coverage?

    A. When the insured has not made a premium payment.
    B. When the premium payment is 10 days past due.
    C. After the grace period has expired.
    D. When there is no named beneficiary.

15. How may a life insurance policy be reinstated within time limits after it has lapsed due to non-payment of premiums?

    A. By payment of past due premiums plus interest.
    B. By submitting proof of insurability and payment of past due premiums.
    C. By submitting a reinstatement application and payment of past due premiums.
    D. By paying past due premiums plus interest as well as submitting an application and evidence of insurability.

16. If the insured commits suicide within the time specified by the suicide clause, the insurance company may do which of the following?

    A. Refuse to pay any death benefit.
    B. Return the premiums to the beneficiary.
    C. Prove that death was by suicide.
    D. All the above.